TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation	ITEM NUMBER: <u>7a</u>
	ATTACHMENT(S): <u>1</u>
ACTION: X	MEETING DATE: September 7, 2000
INFORMATION:	PRESENTER: Ed Derman

SUMMARY

Attached is a summary of related legislation. Mr. Derman will provide a verbal update at the meeting.

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session – August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 107 AUTHOR: Assembly Member Knox

TITLE: Tobacco divestment

AMENDED: 8/8/00

LOCATION: Senate Appropriations (Suspense file)

BOARD POSITION: No Position*

SUMMARY: Prohibits new or additional investments in tobacco companies by CalSTRS and CalPERS on and after January 1, 2001 and total divestment by July 1, 2002. Provides indemnification to Board members of CalSTRS and CalPERS.

COSTS: Benefit program – None

Administrative –Undetermined transaction costs to divest tobacco investments, with tobacco manufacturers.

P – CFT, CTA, UTLA

O – CalPERS

AB 141 AUTHOR: Assembly Member Knox

TITLE: Expands earnings limit for vacant administrative positions

LOCATION: Chapter 22, Statutes of 2000

BOARD POSITION: Support*

SUMMARY: Expands the current earnings limit exemption for an additional six months in 2000 for retired members who are hired to fill administrative positions on an emergency basis.

COSTS: Benefit program – No actuarial impact. Insignificant foregone actuarial gain.

Administrative – Minor and absorbable.

P – CASBO (sponsor)

O – Unknown

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 429 AUTHOR: Assembly Member Correa

TITLE: Ad hoc payments to retired members and beneficiaries

AMENDED: 8/14/00

LOCATION: Senate Appropriations BOARD POSITION: Sponsor*

SUMMARY: Increases the monthly allowances for specified retired members by one to six percent depending upon year of retirement.

COSTS: Benefit program – \$889 million over 15 years.

Administrative – Up to a \$100,000 one-time cost.

P – CalSTRS (Sponsor), ACSA, CRTA, SSDA

O – None known

AB 649 AUTHOR: Assembly Member Machado

TITLE: CalSTRS/CalPERS Membership Election

AMENDED: 6/8/00

LOCATION: Assembly Appropriations BOARD POSITION: Support, if amended*

SUMMARY: Permits continued crediting in CalSTRS by a member who becomes employed by the state in a specified bargaining unit. Allows for the conversion of unused educational leave to service credit by specified state employee CalSTRS members of the Defined Benefit (DB) Program.

COSTS: Benefit program - Members who elect to participate pay all

contributions. Less than \$20,000 for educational leave provisions.

Administrative – Probably minor and absorbable costs

P – DPA, DOJ

O - SPB

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 816 AUTHOR: Assembly PER&SS

TITLE: CalSTRS technical housekeeping

AMENDED: 8/7/00

LOCATION: Senate Appropriations BOARD POSITION: Sponsor*

SUMMARY: Makes technical changes to the TRL to clarify existing provisions and eliminate superfluous provisions.

COSTS: Benefit program – None

Administrative – One-time implementation costs of approximately

\$75,000.

P – None known

O – None known

AB 820 AUTHOR: Assembly PER&SS

TITLE: Partial redeposits of withdrawn contributions by member and

nonmember spouse; purchase of previously excluded service; naming new spouse as option beneficiary; repeal of multiple employer provisions of Cash Balance (CB) Benefit Program; CB

Benefit Program participation by specified Board trustees.

AMENDED: 8/7/00

LOCATION: Senate Appropriations BOARD POSITION: Support *

SUMMARY: Authorizes a CalSTRS member and nonmember spouse to redeposit a portion of contributions previously refunded. Allows specified retired members to make a postretirement election of an option naming a new spouse. Repeals multiple employer provisions of the CB Benefit Program. Permits trustees of districts participating in the CB Benefit Program to participate in the program.

COSTS: Benefit program – None.

Administrative – Minor and absorbable.

P – CRTA, CTA (Co-Sponsors)

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 821 AUTHOR: Assembly PER&SS

TITLE: Highest year final compensation

AMENDED: 1/10/00

LOCATION: Senate Appropriations

BOARD POSITION: Support, if amended*

SUMMARY: Bases final compensation on the highest average annual compensation earnable by a member during a consecutive 12-month period of employment rather than on the highest average earnable compensation during any

period of three consecutive school years.

COSTS: Benefit program – Amortized total cost of \$5.088 million over 30 years.

Administrative - One time absorbable implementation costs of

approximately \$50,000.

P – ACSA, CFT, CTA & UTLA (Co-Sponsors), FACCC, CSBA, California Independent Public Employees Legislative Council

O – None known

AB 1733 AUTHOR: Assembly Member Wildman

TITLE: Postretirement earnings limit

AMENDED: 5/26/00

LOCATION: Senate Appropriations (Suspense file)

BOARD POSITION: Support, if amended*

SUMMARY: Increases earnings limit to \$36,000 and eliminates limit for

members who have been retired from service for at least one year.

COSTS: Benefit program – Potential actuarial impact. Foregone actuarial gain estimated at

\$1.2 million per year.

Administrative – Minor and absorbable.

P – CTA (Sponsor)

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 1736 AUTHOR: Assembly Member Ducheny

TITLE: Postretirement earnings exemption for K-12 remedial instruction

teachers

AMENDED: 5/1/00 LOCATION: Senate Floor

BOARD POSITION: Support, if amended*

SUMMARY: Exempts from the earnings limit a member who retired from service on or before July 1, 2000 and returns to a K-12 classroom to provide

direct remedial instruction to pupils.

COSTS: Benefit program – No actuarial impact. Insignificant foregone actuarial gain.

Administrative – Minor and absorbable.

P - None known

O – None known

AB 1933 AUTHOR: Assembly Member Strom-Martin

TITLE: Career bonus enhancement/Rule of 85/Service-based retirement

AMENDED: 8/7/00

LOCATION: Senate Appropriations

BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Increases the career bonus for members with 29 or more years of credited service who retire on and after January 1, 2001. Pays a retirement allowance equal to 2.4 percent of final compensation per year of credited service if the member's retirement age and years of service total at least 85 for districts that negotiate benefit increases. Also requires CalSTRS to conduct a study of retirement system where age is not a factor in determining allowance.

COSTS: Benefit program – Total cost of \$4,046 million over 30 years for

career bonus; total cost of \$3,989 million over 30 years for Rule of

85.

Administrative – Minor and absorbable.

P - CTA (sponsor), FACCC

O – None known

AB 2100 AUTHOR: Assembly Member Dutra

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<<

TITLE: Approval of state agency Internet content

AMENDED: 5/15/00

LOCATION: Assembly CP, GE & ED (Held in committee)

BOARD POSITION: Neutral, unless amended*

SUMMARY: Designates the Department of Information Technology as the state agency responsible for administering, managing, maintaining and establishing policies for any information posted on the Internet by a state agency other than the State of California.

COSTS: Benefit program – None

Administrative – Minor and absorbable.

P – None known

O – None known

AB 2118 AUTHOR: Assembly Member Bock

TITLE: Public retirement systems merger study

AMENDED: 5/1/00

LOCATION: Assembly Appropriations (Held in committee)

BOARD POSITION: Neutral (Staff recommendation)

SUMMARY: Requires CalSTRS and CalPERS to prepare and submit a report to the Legislature evaluating the benefits or negative consequences of a merging of the two systems on or before July 1, 2001.

COSTS: Benefit program – No impact

Administrative – Potentially significant costs to prepare report.

P – None known

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 2201 AUTHOR: Assembly Member Honda

TITLE: Highest year final compensation; compounded COLA; 2% at 55;

board elections; 80% purchasing power; career bonus

LOCATION: Assembly Appropriations (Held in committee) BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Provides 2 percent at age 55 retirement formula, highest year final compensation for all CalSTRS members, compounded COLA; 80 percent purchasing power and election of CalSTRS members to 13-member Board.

COSTS: Benefit program – 2 percent at age 55 (\$8.95 billion); Highest year compensation

(\$5.11 billion); Compounded COLA (\$3.4 billion). 80 percent purchasing power, annual costs: (2003-2004, \$76.2 million; 2004-2005, \$82.5 million; 2005-2006, \$88.0 million).

Administrative – One time cost of up to \$92,000 for additional staff workload and one time cost of about \$25,000 for computer system modifications.

P – CTA (Sponsor), AARP State Legislative Committee, ACSA, CFT

O – None known

AB 2226 AUTHOR: Assembly Member Mazzoni

TITLE: Employer "pick-up" of member contributions

LOCATION: Not yet assigned in Assembly

BOARD POSITION: Pending

SUMMARY: Makes a technical change to the employer "pick-up" of member contributions to CalSTRS DB Program.

COSTS: Benefit program – Pending

Administrative – Pending

P – None known

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 2383 AUTHOR: Assembly Member Keeley

TITLE: CalSTRS support of district health programs/Part-time

participation in CalPERS healthcare program

AMENDED: 8/14/00

LOCATION: Senate Appropriations BOARD POSITION: Support*

SUMMARY: Expands eligibility under the Public Employees Medical and Hospital Care Act (PEMHCA) administered by CalPERS to authorize contracting agencies and school employers to include certain employees who work less than half time, as specified, for coverage under PEMHCA. Requires CalSTRS to design three specified health benefit plans and report to the Legislature by March 1, 2001.

COSTS: Benefit program – None.

Administrative – Under \$150,000 annually.

P-Unknown

O – Unknown

AB 2456 AUTHOR: Assembly Member Wright

TITLE: Deferred Retirement Option Program

AMENDED: 8/14/00

LOCATION: Senate Appropriations BOARD POSITION: Support, if amended*

SUMMARY: Allows members of CalSTRS' DB Program who retire on or after January 1, 2002 and before January 1, 2011 with at least 20 years service to elect to receive a lump-sum payment and a reduced monthly allowance.

COSTS: Benefit program – None.

Administrative – Ongoing costs of probably \$100,000 annually.

P-FACCC

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

AB 2700 AUTHOR: Assembly Member Lempert

TITLE: Creditable compensation

AMENDED: 5/26/00 LOCATION: Senate PE&R BOARD POSITION: Sponsor *

SUMMARY: Makes all compensation for creditable service creditable to the State Teachers' Retirement Plan. Requires the Board to develop and administer a supplemental benefit program for member and employer contributions with service in excess of 1.000 years per school year.

COSTS: Benefit program – Total net costs of \$235 million over a 30-year period.

Administrative – Undetermined net cost.

P-CTA

O – None known

AB 2745 AUTHOR: Assembly Member Kaloogian

TITLE: Public retirement fund: terrorist-sponsoring nations

AMENDED: 5/9/00

LOCATION: Assembly Appropriations (Held in committee)

BOARD POSITION: Oppose*

SUMMARY: Requires CalSTRS and CalPERS to investigate and report on investments in foreign companies that pose a threat to national security, as specified, on or before January 15th each year.

COSTS: Benefit program – None.

Administrative – Unknown, but potentially significant.

P – California Professional Firefighters

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<<

AB 2839 AUTHOR: Assembly Member Firebaugh

TITLE: 2 percent at age 55

AMENDED: 4/25/00

LOCATION: Assembly Appropriations (Held in committee) BOARD POSITION: Support, if amended (Staff recommendation)

SUMMARY: Provides a 2 percent at age 55 retirement benefit formula for members retiring on or after January 1, 2001.

COSTS: Benefit program – Total costs of \$8.95 billion over 30 years.

Administrative – One time costs of up to \$92,000 one-time costs for additional staff workload and one-time cost of about \$25,000

for computer system modifications.

P - CFT

O – None known

SB 1435 AUTHOR: Senator Johnston

TITLE: Payment of Medicare Part A premiums for CalSTRS members

AMENDED: 8/7/00

LOCATION: Assembly Appropriations

BOARD POSITION: Sponsor*

SUMMARY: Requires CalSTRS to pay the Medicare Part A premium if the member is not eligible for Medicare Part A coverage on a premium free basis, including any penalties applicable to enrollment in Medicare Part A or Part B for members who enroll after the age of 65.

COSTS: Benefit program – Total costs of \$1,257 million over 15 years.

Administrative – One-time costs of \$500,000 and ongoing costs of \$270,000.

P – CalSTRS (Sponsor), ACSA, CFT, CRTA, CTA, UTLA

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

SB 1505 AUTHOR: Senator Burton

TITLE: Extension of minimum guarantee

AMENDED: 8/7/00

LOCATION: Assembly Appropriations

BOARD POSITION: Support (Staff recommendation)

SUMMARY: Extends eligibility for minimum guaranteed allowance to members

retiring under 55 or inactive.

COSTS: Benefit program – \$89 million cost over 15 years.

Administrative – \$150,000-\$350,000 one-time.

P – CRTA (Sponsor), ACSA, CTA, UTLA

O – None known

SB 1692 AUTHOR: Senator Ortiz

TITLE: Enhanced benefits for pre-1999 retirees

AMENDED: 8/7/00

LOCATION: Assembly Appropriations

BOARD POSITION: Support *

SUMMARY: Enhances benefits to CalSTRS members who retire for service,

reinstate active members for at least one year and subsequently retire.

COSTS: Benefit program – An increase of \$9 million amortized over 30 years.

Administrative – Minor and absorbable.

P – CFT, CRTA, CTA, F.A.I.R.

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

SB 1693 AUTHOR: Senator Ortiz

TITLE: 80 percent purchasing power

LOCATION: Senate Appropriations (Held in committee) BOARD POSITION: Support (Staff recommendation)

SUMMARY: Increases purchasing power protection to retired CalSTRS

members and beneficiaries from 75 percent to 80 percent.

COSTS: Benefit program – Total annual costs: 2001-2002, \$62.8 million; 2002-2003,

\$69.5 million; 2003-2004, \$76.2

million.

Administrative – Minor and absorbable.

P – CRTA (Sponsor), ACSA, ART, CFT, CTA, FAIR, UTLA

O – None known

SB 1694 AUTHOR: Senator Ortiz

AMENDED: 8/7/00

TITLE: CalSTRS/CalPERS Membership Election

LOCATION: Senate Floor BOARD POSITION: Support*

SUMMARY: Allows a CalSTRS member who becomes employed by the State Department of Education to elect to remain with CalSTRS, and a State Department of Education CalPERS member who becomes employed to perform

CalSTRS-covered service to remain with CalPERS.

COSTS: Benefit program – Increased costs would be offset by increases in contributions.

Administrative – Minor, if any, impact.

P – State Department of Education (Sponsor), ACSA, AFSCME, CFA

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<

SB 1928 AUTHOR: Senator Haynes

TITLE: Public retirement fund investments: foreign companies

AMENDED: 8/7/00

LOCATION: Assembly Appropriations

BOARD POSITION: Oppose*

SUMMARY: Requires CalSTRS and CalPERS to report annually on investments in foreign companies meeting specified criteria and encourages system to perform due diligence on potential foreign investments.

COSTS: Benefit program – None

Administrative – \$60,000 for third party contract to research information required under bill. Additional substantial research and

opportunity costs.

P – CCPOA, Center for Religious Freedom

O – CalPERS, CalSTRS

SB 2105 AUTHOR: Senator Lewis

TITLE: Reporting for charter schools

AMENDED: 8/11/00

LOCATION: Assembly Floor BOARD POSITION: Support*

SUMMARY: Requires a school district or county office of education that is a chartering authority of a charter school to submit required reports to CalSTRS.

COSTS: Benefit program – None

Administrative - None

P-CNEC, CTA

LEGISLATIVE SUMMARY – REGULAR BOARD

1999-2000 Regular Session –August 21, 2000

BILL NO. >>> STATUS <<<<<<<<<<<<<

SB 2122 AUTHOR: Senator Ortiz

TITLE: Retirement System Investments: Information Sharing

AMENDED: 5/26/00

LOCATION: Assembly Floor BOARD POSITION: Support*

SUMMARY: Authorizes and encourages CalSTRS and CalPERS to share

information on investment strategies.

COSTS: Benefit program – None

Administrative – None

P – State Controller (Sponsor), AFSCME, CalPERS, CCPOA, Center for Religious Freedom, CSEA

O - None

SCA 16 AUTHOR: Senator Burton

TITLE: Support budget appropriations for CalSTRS and CalPERS

LOCATION: Senate PE&R BOARD POSITION: Pending

SUMMARY: Requires the Legislature to review and approve budget appropriations for CalSTRS and CalPERS and permits the Governor and/or Legislature to perform actuarial audits of CalSTRS and CalPERS every five years.

COSTS: Benefit program – None

Administrative – Minor and absorbable.

P – None known

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION ORGANIZATION

AARP American Association of Retired Persons, State Legislative Committee

AALA Associated Administrators of Los Angeles

ACCCA Association of California Community College Administrators

ACSA Association of California School Administrators

AFSCME American Association of State, County and Municipal Employees

AFT American Federation of Teachers
AGENCY State and Consumer Services Agency
A.R.E. Association of Retirees for Equity
ART Association of Retired Teachers

BOE Board of Equalization

BOG Board of Governors, California Community Colleges

Cal-Tax California Taxpayers Association

CalPERS California Public Employees Retirement System
CalPIRG California Public Interest Research Group
CalSTRS California State Teachers' Retirement System
CAPE California Alliance for Pride and Equality

CASBO California Association of School Business Officers

CCA Community College Association

CCAE California Council for Adult Education

CCC California Community Colleges

CCPOA California Correctional Peace Officers Association

CFA California Faculty Association
CFT California Federation of Teachers

CNEC California Network of Educational Charters

CPCA California Police Chiefs' Association

CPFFA California Professional Firefighters Association

CRTA California Retired Teachers Association
CSAC California State Association of Counties
CSBA California School Boards Association
CSEA California School Employees Association

CSL California Senior Legislature
CSU California State University
CTA California Teachers Association

DOE Department of Education DOF Department of Finance

DGS Department of General Services

DPA Department of Personnel Administration

FACCC Faculty Association of California Community Colleges

F.A.I.R. Faculty Attempting to Improve Retirement FCPHE Faculty Coalition for Public Higher Education

FTB Franchise Tax Board

LADSA Los Angeles Deputy Sheriffs' Association
LAUSD Los Angeles Unified School District
OCDE Orange County Department of Education

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION ORGANIZATION

PARS Public Agency Retirement System
PERF Public Employees Retirement Fund

PORAC Peace Officers Research Association of California

RPEA Retired Public Employees Association

SACRS State Association of County Retirement Systems
SBMA Supplemental Benefit Maintenance Account
SDCOE San Diego County Office of Education
SEIU Service Employees International Union

SLC State Lands Commission
SSC School Services of California
SSDA Small School Districts' Association

START State Teachers' Automation Redesign Team

TRB Teachers' Retirement Board
TRF Teachers' Retirement Fund
TRL Teachers' Retirement Law

UTLA United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS Assembly Public Employees, Retirement and Social Security

Senate PE&R Senate Public Employment and Retirement